

North East Derbyshire District Council

Council

22 July 2024

Social Housing Regeneration scheme - Stonebroom

Report of Councillor P Kerry, Deputy Leader and Portfolio Holder for Strategic Leadership and Finance

Classification: This report is public

Report By: Jayne Dethick, Director of Finance & Resources (S151 Officer)

Contact Officer: as above

PURPOSE/SUMMARY

To seek Council approval for additional borrowing to fund the replacement community building as part of the wider regeneration scheme at Stonebroom.

RECOMMENDATIONS

1. That Council approves borrowing of £0.650m to fund the replacement community building as part of the wider regeneration scheme at Stonebroom.
2. That Council approves the inclusion of this addition to the scheme in the HRA Capital Programme.
3. That Council approves the revised Capital Financing Requirement, Operational Boundary and Authorised Limit as set out in the financial implications of this report.

IMPLICATIONS

Finance and Risk

Yes ✓

No

Finance

Prudential Borrowing

In November 2023, Council approved borrowing of £15.4m for the regeneration scheme at Stonebroom, the balance being funded from 141 receipts. At the time this didn't include the potential cost of redeveloping the community facility on the site as further consultation

and feasibility was required. This is now complete and at its meeting on 18 July Cabinet agreed to proceed, subject to approval of funding. The additional borrowing requirement is £0.650m, bringing the total borrowing requirement for the scheme to £16.05m. Approval of borrowing is not a delegated function in the Council’s Constitution and is therefore a decision for Council.

The implications of the borrowing required must be taken in the light of the CIPFA Prudential Code for Capital Finance. When deciding to incur borrowing, the Council must satisfy itself that such borrowing is prudent, affordable, and sustainable. Therefore, the viability model for the scheme needs to demonstrate that income streams are sufficient to cover the cost of borrowing over the period of the loan.

The viability analysis has taken place and the requirements of the Prudential Code through the modelling of the revenue impact of the scheme in the HRA 30-year business plan can be met. Rental streams over the loan period are sufficient to meet the costs of the additional borrowing and other associated revenue costs such as repairs and maintenance.

Should Council choose to fund this scheme, viability will need to be regularly reviewed, especially at key milestones such as contract award. Any variations that result in an increase to the envelope scheme cost will require further consideration by Cabinet and ultimately Council should additional borrowing be required. This is recognised in the report at 1.3, and a review process is in place to facilitate.

The approved capital programme, borrowing limits and capital financing requirement will need to be increased by £0.650m to reflect the additional borrowing requirement. The Authorised Limit and Operational Boundary for borrowing will also need to be increased by the same amount. By revising the Capital Financing Requirement, Council is in effect approving that officers may enter into further borrowing up to £0.650m. The table below demonstrates this:

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Approved Capital Financing Requirement		229.2	233.8	236.6	232.9
Add prudential borrowing HRA		0.10	0.55	0	0
Revised Capital Financing Requirement		239.2	234.35	236.6	232.9
Revised Operational Boundary		244.2	239.35	241.6	237.9
Revised Authorised Limit		249.2	244.35	246.6	242.9

Legal including Data Protection

Yes ✓ N

There will be legal considerations as the scheme progresses. Any specialist advice required in relation to the scheme will be procured as required.

On Behalf of the Solicitor to the Council

Staffing

Yes No ✓

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: NEDDC: Revenue - £125,000 <input type="checkbox"/> Capital - £310,000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Significantly Affected	Shirland and Stonebroom
Consultation: Leader / Deputy Leader <input checked="" type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details:

REPORT DETAILS**1 Stonebroom Regeneration programme**

- 1.1 In November, Council approved borrowing of £15.4m to fund the proposal by Cabinet to replace 50 prefabricated homes at Stonebroom with 74 new bungalows. The Cabinet also undertook to consider a proposal to include the area of Council land occupied by a community building into the layout and the option to construct a replacement community building on Council land at Cleveland Road. The existing community building needs substantial investment and relocating makes better use of the available land from a wider

regeneration perspective, but further work was needed to assess the practicalities of doing so.

- 1.2 Feasibility and consultation work has now been completed regards inclusion of the land and the community facility into the scheme. Consultation on the plans was positive and the benefit of relocation as part of the wider scheme confirmed. The development cost of the community building was not included in the original scheme costs of £17.9m as further work was needed at the time of approval. This has now been costed at £0.650m, increasing the overall scheme cost to £18.55m.
- 1.3 Costs for the community building are indicative at this stage, certainty around them will become firmer as the project progresses into contract. The viability assessment has been based on funding being prudential borrowing within the HRA. To demonstrate viability and meet prudential borrowing rules, income streams must be sufficient to cover the cost of borrowing over the life of the loan. The additional costs of the scheme have therefore been modelled through the HRA 30-year business plan and at this time meet those requirements. A process is in place to provide regular reports and updates on cost implications as part of the project delivery, this will include periodic progress updates to Cabinet.
- 1.4 The main contract has been procured by Rykneld Homes and phase 1 is due for completion in June 2025 with the further two phases scheduled to complete by spring 2028. This is a complex regeneration scheme with many residents remaining on site whilst works are undertaken and requiring temporary and permanent moves as the phases complete.
- 1.5 Subject to approval of funding, the redevelopment of the community building along with 7 bungalows will be separately procured by Rykneld Homes. It is expected that works will commence in December.

2. Reasons for Recommendation

- 2.1 The regeneration scheme at Stonebroom supports the Council's commitment in its Council Plan to build, acquire and facilitate the delivery of more high-quality social housing for rent in the district.

3 Alternative Options and Reasons for Rejection

- 3.1 Not to build the community facility. This was rejected due to strong community support for the facility and the regeneration benefits to the wider scheme.
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DOCUMENT INFORMATION

Appendix No	Title
Background Papers	
Report Author	Contact Number
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